



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0832	Title:	Revise tax increment financing laws - targeted economic development
Primary Sponsor:	Sesso, Jon C	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

The loss in revenues due to the creation of TEDS cannot be determined. There will be an estimated \$5,000 per year gain in revenue due to the application fee.

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$5,000	\$5,000	\$5,000	\$5,000
Net Impact-General Fund Balance	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>

Description of fiscal impact:

This bill allows municipalities to create targeted economic development districts and to use tax increment financing for infrastructure and the development of certain businesses. The bill creates new criteria that districts must meet to use tax increment financing. Tax increment financing districts established under current law are grandfathered by the proposed law. Future projects using tax increment financing must meet the targeted economic development district criteria provided for in HB 832.

FISCAL ANALYSIS

Assumptions:

- HB 832 repeals sections 7-15-4295, 7-15-4296, 7-15-4297, 7-15-4298, and 7-15-4299, MCA, which set the requirements under current law for tax increment financing districts and the types of businesses for which tax increment financing may be used.

2. HB 832 replaces current law requirements for tax increment financing districts with conditions for “targeted economic development” (TED) districts. The criteria that an area must meet in order to establish a TED district is substantially different from the current eligibility requirements for TIF districts. Because these differences are substantive, there is no data available to project the number and value of qualifying technology or secondary, value-adding businesses that would meet the new criteria.
3. HB 832 also changes the requirements on the characteristics of tax increment financing districts from current law. No data is available to determine the number and nature of TED projects municipalities will submit in the future.
4. Because of the difference in criteria for allowable types of businesses and the characteristics of allowable districts from current law, the loss to the state 95 mills, the 1.5 vocational mills, and local government revenues cannot be determined for HB 832.
5. In tax years 2005 and 2006, five TIF districts were created. This fiscal note assumes, for purposes of the \$1,000 fee revenues, this annual number will continue. The revenue projected from the fee to the Department is \$5,000 annually for FY 2008 - FY 2011. The proposed legislation does not specify where these fees are to be deposited. This fiscal note assumes that these fees are deposited in the general fund or used to fund Department activities that would otherwise be funded from the general fund.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Revenues:</u>				
General Fund (01)	\$5,000	\$5,000	\$5,000	\$5,000
TOTAL Revenues	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$5,000</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$5,000	\$5,000	\$5,000	\$5,000

Effect on County or Other Local Revenues or Expenditures:

1. The creation of TED districts will result in on-going losses on local property tax revenues for the life of the districts.

Long-Range Impacts:

1. The creation of TED districts will result in on-going losses to the state 95 mills and 1.5 vocational mills for the life of the districts.

Technical Notes:

1. Section 3 (2) (c) should read “at least 50% of their sales.”

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date